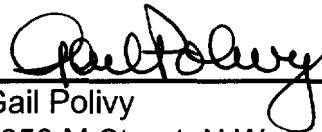


XI. CONCLUSION

To establish universal service support mechanisms that will ensure the delivery of affordable telecommunications service to all Americans in compliance with the Telecom Act, the Commission should act on the pending petitions for reconsideration consistent with the recommendations herein.

Respectfully submitted,

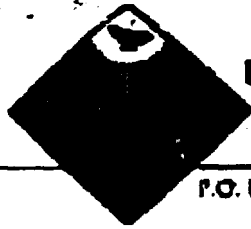
GTE SERVICE CORPORATION
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operating, wireless, and long distance
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ATTACHMENT A

**TelHawaii, Inc.**

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July 25, 1997

The Honorable Commissioner Naito and Yamada
The Public Utilities Commission
of the State of Hawaii
465 S. King Street, Suite 103
Honolulu, HI 96813

Re: FCC Memorandum Opinion and Order Released July 16, 1997

Dear Commissioner Naito and Yamada:

TelHawaii, Inc. is pleased to report that on July 16, 1997, the FCC granted TelHawaii's requested study area waiver. In so doing, the FCC found that it is in the public interest to grant the study area waiver as the service planned by TelHawaii should improve customer services in the Ka'u area.

The grant of the study area waiver means that TelHawaii will bring to Hawaii higher cost support mechanisms that have not been previously available in Hawaii to offset the cost of providing service in a high cost area. This includes cost separations rules that transfer a portion of the local exchange company's central office equipment investment and related operating expenses to the carrier's interstate operations. Coupled with TelHawaii's ability to procure low-cost financing, this results in lower local and intrastate rates than those currently charged by GTE Hawaiian Tel. These benefits are not subject to any time delays so that TelHawaii will obtain these benefits immediately.

TelHawaii will also bring national universal service funds (USF) to Hawaii, based on¹ TelHawaii's actual 1997 costs. The FCC rejected GTE's claim that the USF amount TelHawaii has requested is not accurate, agreed with TelHawaii that the request for \$2,194,225 is accurate, and that this net increase in USF would not have a substantial adverse impact on the USF total.

The FCC did not agree to expedite TelHawaii's USF draw through waiver of the normal two-year lag. TelHawaii addressed this possibility in its proposal to the Commission, where TelHawaii stated that if TelHawaii was not granted a waiver for expedited receipt of USF support, the USF timing question should not impact the overall rate calculations, other than to

¹ This assumes that we obtain a favorable ruling from the Hawaii Supreme Court on GTE Hawaiian Tel's appeal from the Hawaiian Public Utilities Commission's decision in Order 14789.

FROM

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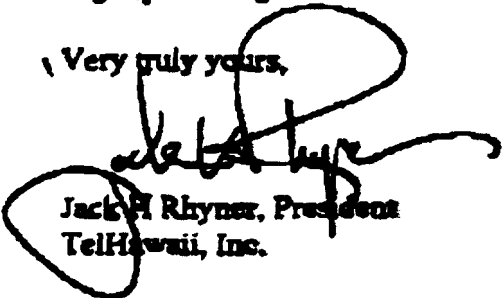
Commissioner Naito and Yamada
The Public Utilities Commission of the State of Hawaii

July 25, 1997
Page 2

present potential additional cash working capital requirements for a short period of time. TelHawaii reconfirms in this letter that the FCC's refusal to waive the normal two-year lag rule only presents short-term additional cash working capital requirements, and does not affect TelHawaii's ability to provide the promised service at the promised rates from the inception of service.

Once again, we are very pleased with the FCC Order. Assuming the Commission obtains a favorable ruling from the Hawaii Supreme Court on the appeal of the Hawaii Public Utilities Commission's Order 14789, we will be prepared to institute our eminent domain action and to begin providing service in the Ke'o area.

Very truly yours,



Jack H. Rhyner, President
TelHawaii, Inc.

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I, Susan M. Brunson, hereby certify that the foregoing Comments on Petitions for Reconsideration in CC Docket No. 96-45 was mailed via first-class mail this 18th day of August, 1997 to:

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